

Essential Air Service Proposal



Carlsbad, NM

DOT-OST-2002-12802

January 23, 2019



About Boutique Air

Our Story

Headquartered in San Francisco, California, Boutique Air has been in operation since 2007. We began by flying fire surveillance missions for the U.S. Forestry Service and Bureau of Land Management. We evolved to provide air charter services across the west coast with our fleet of Pilatus and Cessna aircraft. As a charter operator we have received certifications from both industry-leading safety organizations, ARG/US and Wyvern. Boutique Air employs pilots that are highly experienced and hold the most advanced FAA ratings - a key reason for our continued perfect safety record.

In July of 2012, Boutique Air applied for commuter operating authority from the Department of Transportation. We quickly passed tests on financial fitness and management competency, receiving authority for scheduled service in January of 2014. We began flying scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop effective distribution channels. We have connections in place with all of the major Global Distribution Systems (GDSs), which travel agents use to access the market. You will find us on Worldspan and Galileo (Travelport), Sabre, and Amadeus. In addition, we are on the major Online Travel Agencies (OTAs), including Expedia, Travelocity, Priceline, Orbitz, CheapTickets, and CheapOAir.

EAS Contracts

On April 22, 2014 Boutique Air received its first EAS contract when the DOT selected the airline to provide service between Clovis and DFW. Since then, we have continued our track record of success and now serve 17 different EAS communities and operate out of 32 different airports. Continuing on a path of successful growth in the EAS market, Boutique Air began service to Johnstown, PA and Victoria, TX in November of 2018.



What People Are Saying About Boutique Air

*Boutique Air PC-12, one of the **best turboprop aircraft** on the market!... Give them a try!!*

-Tarek A. via Yelp.com

*We also feel that the PC-12 aircraft bid by Boutique Air presents the **safest and most comfortable option for the traveling public.***

-Hon. Mayor David Lansford in Recommendation Letter
City of Clovis, NM

*Flew with Boutique from LA to Vegas and back and must say I was extremely surprised. From the ease of check-in, To the flight itself, **the whole process was great.** Price was competitive with any other airline out there. I plan on flying boutique for all my Vegas outings, and may even look into renting the whole plane for a group trip. Thanks Boutique!*

-Kevin J. via Yelp.com

*We find that Boutique Air is fit, willing and able to operate as a commuter air carrier, and **capable of providing reliable Essential Air Service...***

-Susan L. Kurland in Clovis EAS Award
Asst. Sec. for Aviation and International Affairs
US DOT

*Right now Boutique Air is a **very cool secret.***

-Examiner.com

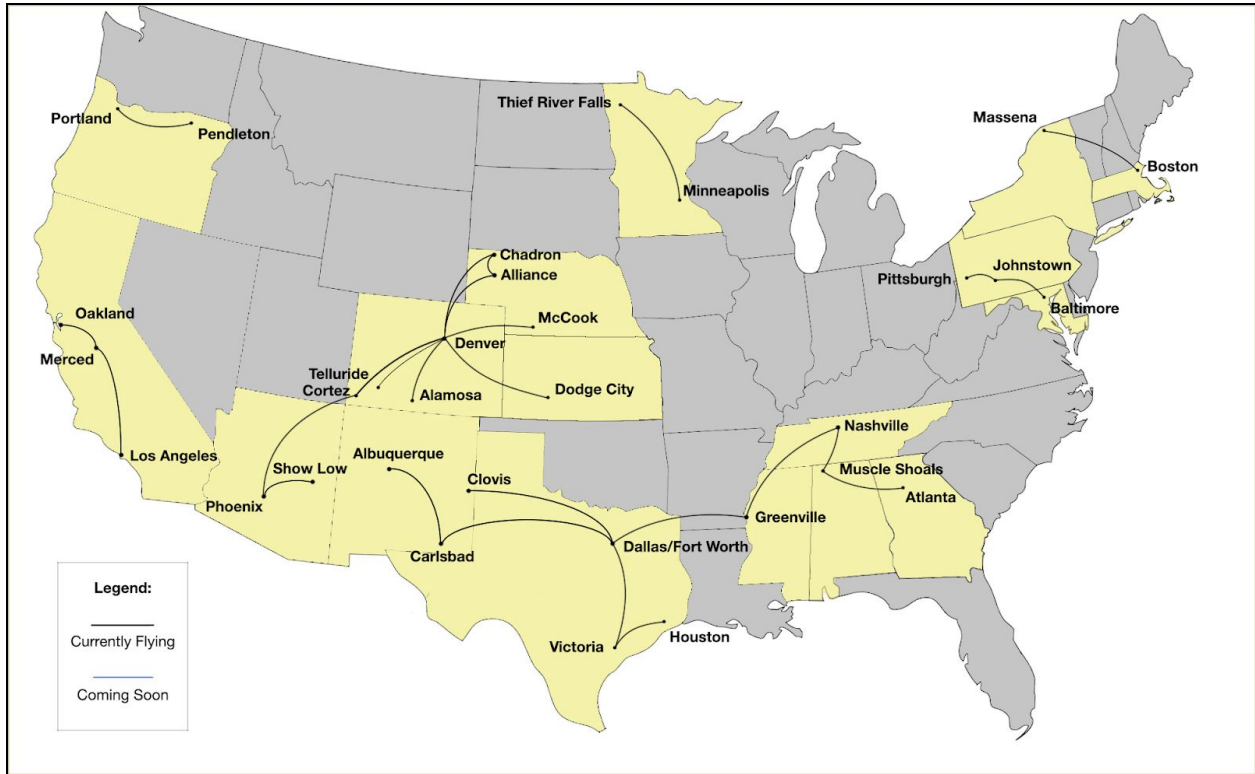
*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel in general.** A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

***Smooth flights and personable staff** are part of the experience...*

-Clovis News Journal

Route Map



Aircraft:

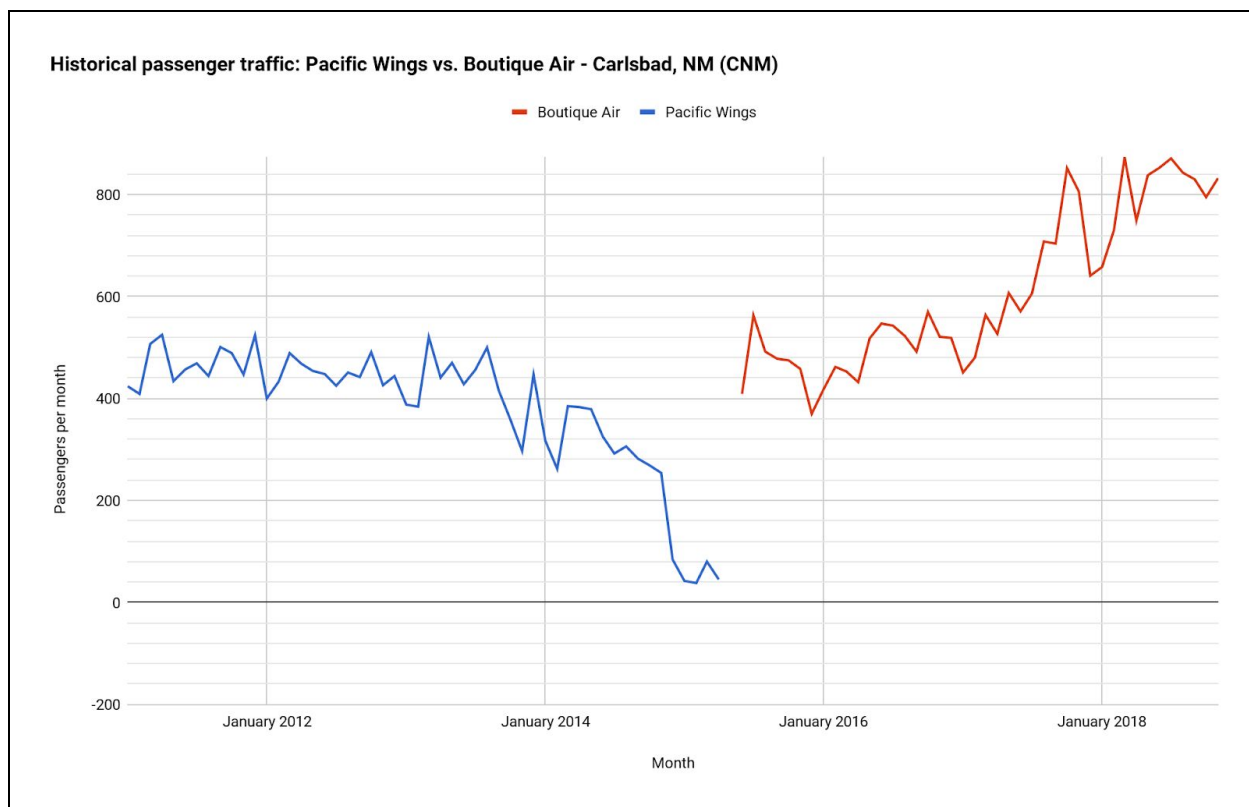
Boutique Air currently operates a modern fleet of Pilatus PC-12, Beechcraft King Air 350 and Piaggio Avanti aircraft. All flights are flown by Captains with over 1,200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two pilot crew. Boutique Air ensures pilots provide a level of customer service beyond that of normal commercial airlines.

- 8 Passenger Executive Configuration or 9 Passenger Commuter Configuration
- Pressurized Cabin
- Power Outlets
- Enclosed Lavatory



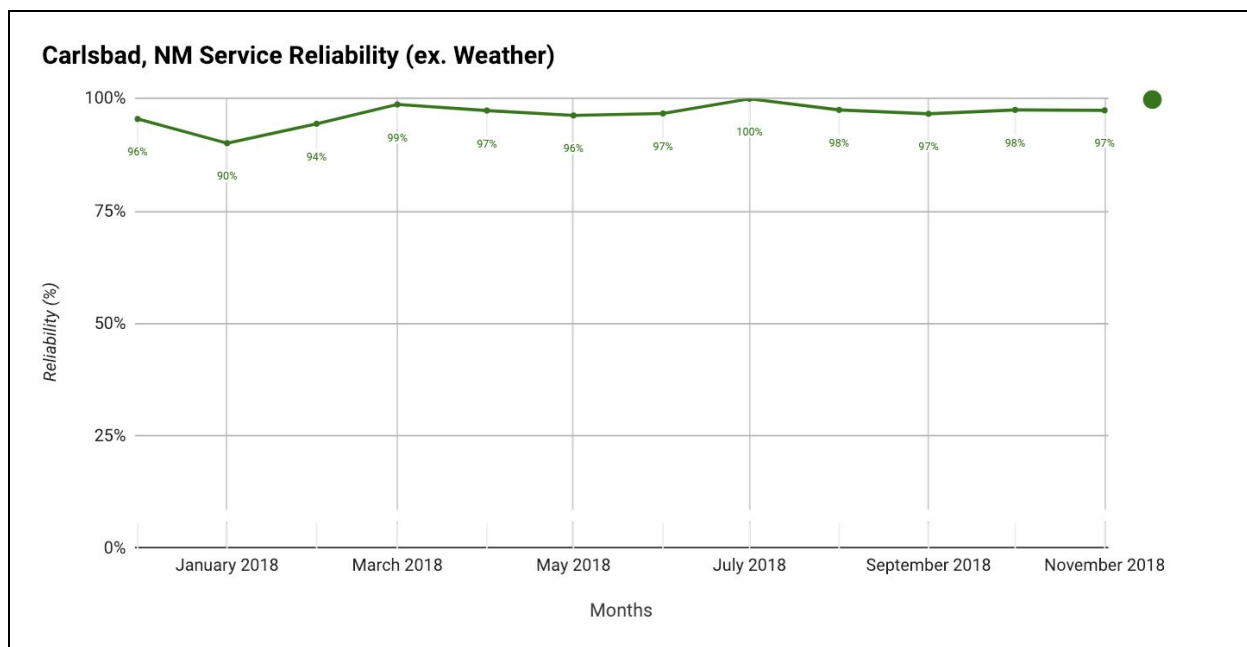
Historical Passenger Traffic Performance

Boutique Air has enjoyed the privilege of serving the Carlsbad community since June of 2015 when it initiated service. During this period, Boutique Air increased its own year over year traffic by 29% in 2018 and total passenger traffic by 397% versus the prior carrier (Source: T100 data, ending Nov 2018)



Boutique Air Completion Reliability

Boutique Air also prides itself on its completion reliability. Since initiating service in Carlsbad in June of 2015, Boutique Air averaged a completion reliability of 98.4% (*Reliability data ending Nov 2018*).



Proposal

Overview

Our proposals would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12, Beechcraft King Air 350 or Piaggio Avanti aircraft. The term is two years, with a four year option.

In order to increase brand recognition in the community, Boutique Air will spend at least \$20,000 per year if it is selected for advertising & marketing to help ensure that air service for the community is a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

Note on Service Start Date

We typically begin new flight service 60-90 days after the DOT issues the order selecting Boutique Air as the EAS Carrier. Due to Boutique Air's existing operations in Carlsbad, a flight service interruption will not result if Boutique Air is selected to continue providing the community air service. Boutique Air is committed to a long term relationship with Carlsbad and looks forward to sustained growth in confidence and trust in our service.

Note on Codeshare, Interline and MileagePlus Frequent Flyer Agreements

Boutique Air launched its interline agreement with United Airlines in May 2017 and its codeshare agreement in May 2018. Customers have flow-through ticketing and baggage capabilities for those flights that connect with United Airlines.

Passengers are also able to book through United.com and connect with any of United's flights at our mutual hubs.

Boutique Air also participates in United Airlines' MileagePlus Frequent Flyer Program. Passengers can earn and redeem award miles on all Boutique Air flights.

Boutique Air is also proud to announce that it launched an interline agreement with American Airlines in December of 2018.

(Image of interline fares currently available from Carlsbad, NM to IAH on United.com)

Departure: Carlsbad, NM, US → Houston, TX, US

Fares are for the entire one-way trip, per person, and include taxes and fees. Additional bag charges may apply.

Mon 2/18 \$236	Tue 2/19 \$236	Wed 2/20 \$236	Thu 2/21 \$236	Fri 2/22 \$236	Sat 2/23 \$236	Sun 2/24 \$405
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☒ With stops \$236
 Choose connecting airports
 Show fare type comparison

Depart	Arrive	Stops	Duration	Economy	Economy (flexible)	First (2-cabin, lowest)
9:40 am	3:18 pm	1 stop	4h 38m	Details Seats	\$350 Select 1 ticket left at this price	\$383 Select 3 tickets left at this price
Includes Travel Operated By Boutique Air				\$545 Select 1 ticket left at this price		
MileagePlus earnings (each way, per person):				Base award miles PQM PQS PQD		
				960 224 1 \$312	1,715 224 1 \$343	1,870 448 1.5 \$494
Carlsbad, NM, US (CNM) to Dallas/Fort Worth, TX, US (DFW) 9:40 am - 12:25 pm (1h 45m) 4B 554 Pilatus PC-12 Operated By Boutique Air				Economy (L)	Economy (D) (flexible)	Economy (L) (2-cabin, lowest)
1h 40m connection				United Economy (W)	United Economy (Q) (flexible)	United First (C) (2-cabin, lowest) Refreshments
Dallas/Fort Worth, TX, US (DFW) to Houston, TX, US (IAH - Intercontinental) 2:05 pm - 3:18 pm (1h 13m) UA 537 Airbus A319 Wi-Fi Terminal change						

Community Input

Shortly after the bids are complete, Boutique Air will schedule meetings with airport and/or city officials. This will allow us to answer any questions and provide additional information regarding our proposal.

While we can't promise we will be able to implement everyone's suggestions, we welcome feedback from the community, as well as anyone who may have an interest in the proposed flights. What we can promise is that we will listen to your feedback, and give it the attention and consideration it deserves.

With respect and appreciation,

Shawn Simpson
CEO



Carlsbad, NM

Option 1: 18 Weekly Nonstop RTs CNM - ABQ & DFW (2/1 Daily RTs)

Operations	<u>PC-12</u>	<u>King Air 350</u>	<u>Piaggio</u>
Scheduled Flights	1,872	1,872	1,872
Completed Flights (98%)	1,835	1,835	1,835
Scheduled Block Hours	2,766	2,371	2,163
Scheduled Seats	14,976	16,848	16,848
Scheduled ASMs	4,412,928	4,964,544	4,964,544
Revenue			
Passengers	9,834	11,064	11,064
Average Fare	\$91	\$91	\$91
Fare Revenue	\$893,418	\$1,005,096	\$1,005,096
Total Revenue	\$893,418	\$1,005,096	\$1,005,096
Expenses			
Fuel	\$568,772	\$893,784	\$815,382
Ownership	\$960,000	\$960,000	\$800,000
Maintenance and Reserves	\$1,112,093	\$1,346,842	\$1,118,872
Crew	\$437,240	\$502,676	\$458,582
Airport Rent	\$102,000	\$102,000	\$102,000
Landing Fees	\$28,985	\$41,605	\$30,358
Staff	\$169,000	\$169,000	\$169,000
Insurance	\$20,000	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000	\$20,000
Other Indirect Costs	\$132,824	\$118,992	\$117,712
Total Costs	\$3,550,914	\$4,174,900	\$3,645,906
Profit Element	\$177,546	\$208,745	\$182,295
Margin	5.0%	5.0%	5.0%
Total Subsidy Year 1	\$2,835,041	\$3,378,549	\$2,823,106
Total Subsidy Year 2	\$2,905,917	\$3,463,012	\$2,893,683
Total Subsidy Year 3	\$2,978,564	\$3,549,588	\$2,966,025
Total Subsidy Year 4	\$3,053,028	\$3,638,327	\$3,040,176

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Option 2: 18 Weekly Nonstop RTs CNM - ABQ & DFW (1/2 Daily RTs)

Operations	<u>PC-12</u>	<u>King Air 350</u>	<u>Piaggio</u>
Scheduled Flights	1,872	1,872	1,872
Completed Flights (98%)	1,835	1,835	1,835
Scheduled Block Hours	3,286	2,808	2,517
Scheduled Seats	14,976	16,848	16,848
Scheduled ASMs	5,366,400	6,037,200	6,037,200
Revenue			
Passengers	10,533	11,850	11,850
Average Fare	\$104	\$104	\$104
Fare Revenue	\$1,092,549	\$1,229,118	\$1,229,118
Total Revenue	\$1,092,549	\$1,229,118	\$1,229,118
Expenses			
Fuel	\$675,684	\$1,058,429	\$948,666
Ownership	\$960,000	\$960,000	\$812,000
Maintenance and Reserves	\$1,321,133	\$1,594,944	\$1,301,764
Crew	\$519,428	\$595,275	\$533,542
Airport Rent	\$102,000	\$102,000	\$102,000
Landing Fees	\$27,453	\$39,406	\$28,753
Staff	\$169,000	\$169,000	\$169,000
Insurance	\$20,000	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000	\$20,000
Other Indirect Costs	\$151,024	\$134,280	\$124,088
Total Costs	\$3,965,721	\$4,693,333	\$4,059,814
Profit Element	\$198,286	\$234,667	\$202,991
Margin	5.0%	5.0%	5.0%
Total Subsidy Year 1	\$3,071,458	\$3,698,882	\$3,033,687
Total Subsidy Year 2	\$3,148,244	\$3,791,354	\$3,109,529
Total Subsidy Year 3	\$3,226,950	\$3,886,137	\$3,187,267
Total Subsidy Year 4	\$3,307,624	\$3,983,291	\$3,266,949

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Option 3: 24 Weekly Nonstop RTs CNM - ABQ & DFW (2/2 Daily RTs)

Operations	<u>PC-12</u>	<u>King Air 350</u>	<u>Piaggio</u>
Scheduled Flights	2,496	2,496	2,496
Completed Flights (98%)	2,446	2,446	2,446
Scheduled Block Hours	4,035	3,453	3,120
Scheduled Seats	19,968	22,464	22,464
Scheduled ASMs	6,519,552	7,334,496	7,334,496
Revenue			
Passengers	13,578	15,276	15,276
Average Fare	\$76	\$86	\$86
Fare Revenue	\$1,025,756	\$1,306,731	\$1,306,731
Total Revenue	\$1,025,756	\$1,306,731	\$1,306,731
Expenses			
Fuel	\$829,637	\$1,301,475	\$1,176,032
Ownership	\$960,000	\$960,000	\$960,000
Maintenance and Reserves	\$1,622,150	\$1,961,190	\$1,613,758
Crew	\$807,655	\$902,734	\$902,734
Airport Rent	\$102,000	\$102,000	\$102,000
Landing Fees	\$37,625	\$54,007	\$39,407
Staff	\$169,000	\$169,000	\$169,000
Insurance	\$20,000	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000	\$20,000
Other Indirect Costs	\$177,232	\$156,848	\$145,200
Total Costs	\$4,745,300	\$5,647,255	\$5,148,131
Profit Element	\$237,265	\$282,363	\$257,407
Margin	5.0%	5.0%	5.0%
Total Subsidy Year 1	\$3,956,809	\$4,622,887	\$4,098,807
Total Subsidy Year 2	\$4,055,729	\$4,738,459	\$4,303,747
Total Subsidy Year 3	\$4,157,122	\$4,856,920	\$4,411,341
Total Subsidy Year 4	\$4,261,050	\$4,978,343	\$4,521,624